

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FEDERAL COMPLIANCE AUDIT REPORT

OF

HUNTINGTON COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED

09/16/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	5-8
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-20
Auditee-Prepared Document:	
Corrective Action Plan	22-25
Other Reports.....	26

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jill Landrum	01-01-21 to 12-31-22
County Treasurer	Brenda Hamilton	01-01-21 to 12-31-22
Clerk of the Circuit Court	Shelley Septer	01-01-21 to 12-31-22
County Sheriff	Christian E. Newton	01-01-21 to 12-31-22
County Recorder	Vicki G. Pearson	01-01-21 to 12-31-22
President of the Board of County Commissioners	Tom Wall Rob Miller	01-01-21 to 12-31-21 01-01-22 to 12-31-22
President of the County Council	Ron Kline Kendall Mickley	01-01-21 to 05-13-21 05-14-21 to 12-31-22



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF HUNTINGTON COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Huntington County (County), for the year ended December 31, 2021, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated August 31, 2022, wherein we noted the County followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001.

Huntington County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The County's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE
Deputy State Examiner

August 31, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF HUNTINGTON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Huntington County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-003 and 2021-004. Our opinion on each major federal program is not modified with respect to these matters.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The County's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2021-003 and 2021-004, to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the County, as of and for the year ended December 31, 2021, and the related notes to the financial statement. We issued our report thereon dated August 31, 2022, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

August 31, 2022

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the County. The schedule and notes are presented as intended by the County.

HUNTINGTON COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Justice</u>					
COVID-19 - Coronavirus Emergency Supplemental Funding Program ICJI Criminal Justice	Indiana Criminal Justice Institute	16.034	CESF-2020-07	\$ -	\$ 29,331
Total - Department of Justice				-	29,331
<u>Department of Transportation</u>					
Federal Transit Cluster					
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs HAT - Section 5339 Rural - Vans	Indiana Department of Transportation	20.526	5339 Federal Funds - Vehicle P	44,136	44,136
Total - Federal Transit Cluster				44,136	44,136
Highway Planning and Construction Cluster					
Highway Planning and Construction Bridge Inspection Projects Bridge Inspection Projects	Indiana Department of Transportation	20.205	DES #1702814 DES #1902076	-	47,703
Total - Highway Planning and Construction				-	112,240
Total - Highway Planning and Construction Cluster				-	112,240
Highway Safety Cluster					
State and Community Highway Safety Sheriff Operation Pullover (CHIRP)	Indiana Criminal Justice Institute	20.600	CHIRP-2021-00041	-	4,935
Total - Highway Safety Cluster				-	4,935
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program COVID-19 HAT CARES Act Fund	Indiana Department of Transportation	20.509	5311 Operating Funds	572,221	572,221
Interagency Hazardous Materials Public Sector Training and Planning Grants EMA - HMEP Grant 2021	Indiana Department of Homeland Security	20.703	693JK31940014HMEP	-	3,220
Total - Department of Transportation				616,357	736,752
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund Safety Awareness Grant	Indiana Finance Authority	21.019	FY 2021	-	117,577
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds COVID-19 American Rescue Plan Act - ARPA	Direct Grant	21.027	FY 2021	-	390,069
Total - Department of the Treasury				-	507,646

HUNTINGTON COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness Health Bio Terrorism	Indiana State Department of Health	93.069	NU90TP922052	-	26,883
COVID-19 - Immunization Cooperative Agreements CFDA 93.268 Immunize & Vaccines	Indiana State Department of Health	93.268	NH23IP922631	-	13,512
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) COVID Test Site 2021/22 CFDA 93.323 ELC Enhancing Det	Indiana State Department of Health	93.323	NU50CK000503 NU50CK000503	50,000 -	50,000 26,808
Total - COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)				50,000	76,808
<u>Child Support Enforcement</u>					
Title IV-D Incentive	Indiana Department of Child Services	93.563	FY 2021	-	12,000
Title IV-D Incentive			FY 2021	-	26,884
Title IV-D Incentive			FY 2021	-	6,220
Title IV-D Prosecutor			FY 2021	-	243,156
Title IV-D Clerk			FY 2021	-	17,878
Title IV-D Courts			FY 2021	-	8,395
Indirect Costs			FY 2021	-	113,430
Total - Child Support Enforcement				-	427,963
<u>Opioid STR</u>					
Indiana State Opioid	Indiana Supreme Court	93.788	20-5JC89-C35-065	-	9,648
SIM Grant/Indiana State Opioid			21-5JC89-C35-001	-	59,993
Total - Opioid STR				-	69,641
Total - Department of Health and Human Services				50,000	614,807
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants 2020 EMPG Comp Grant	Indiana Department of Homeland Security	97.042	EMC-2020-EP-00001	-	30,000
Homeland Security Grant Program EMA - SHSP Grant	Indiana Department of Homeland Security	97.067	EMW-2020-SS-00009	-	7,268
Total - Department of Homeland Security				-	37,268
Total federal awards expended				\$ 666,357	\$ 1,925,804

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

HUNTINGTON COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2021. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the County, it is not intended to and does not present the financial position of the County.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

HUNTINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
20.509	COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program	Unmodified
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2021-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Condition and Context

The County had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's Schedule of Expenditures of Federal Awards (SEFA).

The County failed to properly review the federal grant information prepared and submitted in Gateway. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

HUNTINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Due to the lack of effective internal controls, the SEFA presented for audit included the following errors:

1. The COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program grant expenditures were understated by \$160,153. Additionally, the amount of Passed Through to Subrecipient was understated by \$160,153.
2. Other errors included incorrect program names, pass-through entities, and identifying numbers.

Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

HUNTINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

HUNTINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2021-002

Subject: Financial Transactions and Reporting - Clerk of the Circuit Court
Audit Finding: Material Weakness

Condition and Context

There were deficiencies in the internal control system of the Clerk of the Circuit Court's (Clerk) office related to financial transactions. The Clerk had not separated incompatible activities related to receipts and disbursements.

Receipts

Daily Clerk trust receipts collected were balanced by each responsible cashier and reviewed and verified by the Deputy Clerk. The Deputy Clerk also collected daily receipts; however, these receipts were not reviewed and verified by a separate employee.

Clerk trust receipt adjustments were prepared by the Deputy Clerk, but were not reviewed and approved by a separate employee.

Disbursements

Clerk trust and support disbursements were prepared by the Deputy Clerk, but were not reviewed and verified by a separate employee.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

HUNTINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

Cause

Management had not established a proper system of internal control that separated incompatible activities related to receipts and disbursements.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements could have occurred and remained undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2021-003

Subject: COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program - Subrecipient Monitoring
Federal Agency: Department of Transportation
Federal Program: COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program
Assistance Listings Number: 20.509
Federal Award Number and Year (or Other Identifying Number): 5311 Operating Funds
Pass-Through Entity: Indiana Department of Transportation
Compliance Requirement: Subrecipient Monitoring
Audit Findings: Material Weakness, Other Matters

Condition and Context

An effective internal control system was not in place at the County to ensure compliance with requirements related to the grant agreement and the Subrecipient Monitoring compliance requirement.

HUNTINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section VII of the Pass-Through Agreement between Huntington County (Applicant) and the Huntington County Council on Aging (Service Provider) stated that the Service Provider shall submit to the Applicant quarterly operating claims, capital claims, financial statements, records and fiscal documents that are required for Applicant review and approval prior to submission of such documents to the Indiana Department of Transportation. The quarterly submissions shall include revenue and expense statements including a detailed report of expenses by budget category. Quarterly reports submitted by the Service Provider and reviewed by the Applicant did not include a detailed report of expenses, only a summary of the expenses. The Applicant performed no other subrecipient monitoring procedures of revenue and expenses of the Service Provider.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.332 states in part:

"All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes: . . .

(2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;

(3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports; . . .

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity. . . ."

HUNTINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Pass-through Agreement between Huntington County and the Huntington County Council on Aging, Section VII states in part:

". . . The Service Provider shall submit to the Applicant, no less than 7 days prior, quarterly operating claims, capital claims, financial statements, records, and fiscal documents that are required for Applicant review and approval prior to submission of such documents to INDOT or FTA as may be deemed necessary. The quarterly reports shall include revenue and expense statements including a detailed report of expenses by budget category as identified in the Budget accompanying the Applicant's Application. . . ."

Cause

Management had not developed a system of internal control that would have ensured compliance with the grant agreement and the Subrecipient Monitoring compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Subrecipient Monitoring compliance requirement could have resulted in the loss of federal funds to the County.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended the County's management establish a system of internal control to ensure compliance and comply with the grant agreement and the Subrecipient Monitoring compliance requirement.

FINDING 2021-004

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Procurement and Suspension and Debarment
Federal Agency: Department of the Treasury
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Assistance Listings Number: 21.027
Federal Award Number and Year (or Other Identifying Number): FY 2021
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition and Context

The County had not designed, nor implemented an effective internal control system over suspension and debarment procedures to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The County did not have procedures in place to verify vendors were not suspended, debarred, or otherwise excluded from or ineligible for participation in federal assistance programs or activities. The County did not ensure the three vendor contracts over \$25,000 entered into during the audit period contained a suspension and debarment clause, nor did the County check the sam.gov website.

HUNTINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The Non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . . "

31 CFR 19.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the *EPLS*; or
- (b) Collecting a certification from that person if allowed by this rule; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

Management had not developed, nor implemented a system of internal control that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to design and implement an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the County.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish a system of internal control to ensure compliance and comply with the grant agreement and Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the County. The document is presented as intended by the County.



HUNTINGTON COUNTY AUDITOR'S OFFICE
JILL M. LANDRUM, AUDITOR
jill.landrum@huntington.in.us

201 N Jefferson St., Room 103
Huntington, IN 46750
Phone: 260-358-4805 Fax: 260-358-4823

CORRECTIVE ACTION PLAN

FINDING 2021-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Audit Findings: Material Weakness, Noncompliance

Contact Person Responsible for Corrective Action: Jill Landrum, Huntington County Auditor

Contact Phone Number: 260-358-4805

Views of Responsible Official:

Upon further review, Auditor disagrees with the “error” listed as Item 1 of the Finding. As part of the annual audit, I was instructed to make changes to the SEFA report that result in a conflict with our actual financial accounting of the grant. The Pass-Through Agreement for the grant indicates that we should distribute the money received within 3-5 days. We received \$160,153 on December 29, 2021, and did not pass the money through until January 2022. I was told to change both the “Disbursements” amount and the “Pass-Through to Subrecipient” amounts on the 2021 Annual Financial Report (AFR) in Gateway to include this amount. By doing this, the amounts reported as “Disbursements” for “Financial Data by Fund” in the AFR, will not agree with the amount shown in the SEFA for the respective fund.

The Auditor concurs with Item 2 of this Finding, and has made changes per the guidance of the SBOA Field Examiner.

Staff will take, or has taken, the following actions as described below.

Description of Corrective Action Plan:

Staff will use SAM.gov to determine exact Federal Program Title/Project Name, and will not use the Award Identifiers provided by the State Auditor’s office on the Notification ACH Payment, when reporting the Award Number in the future. Staff will review reporting amounts of Title IV-D for SEFA.

Anticipated Completion Date: December 2022

Respectfully Submitted,

Jill M. Landrum
Huntington County Auditor



Shelley Septer
Clerk of the Huntington Circuit and Superior Court
201 N Jefferson St, Room 201
Huntington, IN 46750

CORRECTIVE ACTION PLAN

FINDING 2021-002

Contact Person Responsible for Corrective Action: Shelley Septer
Contact Phone Number: 260-358-4819

Views of Responsible Official: We concur that we were not aware of the internal controls procedures listed in this finding and have updated our internal control policy to include Federal requirements as well as State.

Description of Corrective Action Plan:

Deputy Clerk has her cash receipts reviewed and verified by a separate employee.
Deputy has her Clerk's Trust receipt adjustments reviewed and approved by a separate employee.
Deputy Clerk has Disbursements reviewed and approved by a separate employee.

Anticipated Completion Date:

We implemented the field examiner's findings immediately at the time of the finding on 7-18-2022. I told the field examiner that we thought we were complying because we brought back all of the 2021 internal control material from our Indiana SBOA conference and we made sure we were following everything listed and a few extra steps that we felt would be good to have in place.



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 JILL M. LANDRUM, AUDITOR
jill.landrum@huntington.in.us

201 N Jefferson St., Room 103
 Huntington, IN 46750
 Phone: 260-358-4805 Fax: 260-358-4823

CORRECTIVE ACTION PLAN

FINDING 2021-003

Subject: COVID-19 – Formula Grants for Rural Areas and Tribal Transit Program - Subrecipient Monitoring
 Federal Agency: Department of Transportation
 Federal Program: COVID-19 – Formula Grants for Rural Areas and Tribal Transit Program
 Assistance Listing Number: 20.509
 Federal Award Number: 5311 Operating Funds
 Pass-Through Entity: Indiana Department of Transportation
 Compliance Requirement: Subrecipient Monitoring
 Audit Finding: Material Weakness, Other Matters

Contact Person Responsible for Corrective Action: County Commissioners & Auditor Jill Landrum
Contact Phone Number: 260-358-4805

Views of Responsible Official:

The Auditor concurs with Finding 2021-003, and has spoken with the Commissioner’s Secretary Bridgett Burkhart to discuss changes needed in the future for compliance of Subrecipient Monitoring.

Staff will take, or has taken, the following actions as described below.

Description of Corrective Action Plan:

The Huntington County Council on Aging (Service Provider) will submit quarterly operating claims, capital claims, financial statements, records, and fiscal documents to the Huntington County Commissioners (Applicant) for review and approval prior to submission of such documents to INDOT. The quarterly submissions shall include revenue and expense statements including a detailed report of expenses by budget category.

The Huntington County Commissioners will review and complete a Huntington Area Transportation Oversight Checklist annually, as part of the Subrecipient Monitoring per the Pass-through Agreement.

The Huntington County Council on Aging will continue to submit Compliance Review Reports to INDOT, as required.

Anticipated Completion Date: December 2022

Respectfully Submitted,

Jill M. Landrum
 Huntington County Auditor



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jill.landrum@huntington.in.us

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CORRECTIVE ACTION PLAN

FINDING 2021-004

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds – Procurement and Suspension and Debarment

Federal Agency: Department of the Treasury

Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Assistance Listing Number: 21.027

Federal Award Number and Year (or Other Identifying Number): FY2021

Compliance Requirements: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Contact Person Responsible for Corrective Action: County Commissioners & Auditor Jill Landrum
Contact Phone Number: 260-358-4805

Views of Responsible Official:

The Auditor concurs with Finding 2021-004, and has spoken with the Commissioner’s Secretary Bridgett Burkhardt to discuss policies needed for Procurement and also Suspension and Debarment.

Staff will take, or has taken, the following actions as described below.

Description of Corrective Action Plan:

Auditor Jill Landrum will work with the Commissioner’s Secretary to prepare a procedure for Suspension and Debarment. The policy will include terms for contracts entered into by the County in which federal money will be spent. We will include internal controls for this process to make sure that any contracted vendor being paid a total of more than \$25,000 has not been Suspended or Disbarred. This can be done with wording within the contract, a separate addendum that is signed by the vendor and attached to each contract, or by documenting a verification search on the SAM website.

Anticipated Completion Date: December 2022

Respectfully Submitted,

Jill M. Landrum
Huntington County Auditor

OTHER REPORTS

In addition to this report, other reports may have been issued for the County. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.